

Message Text

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ACTION NEA-10

INFO OCT-01 AF-08 EUR-12 ISO-00 EB-07 COME-00 TRSE-00

PM-04 NSC-05 SP-02 SS-15 L-03 PRS-01 CIAE-00 INR-07

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 8444

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEKBASSY TEHRAN

C O N F I D E N T I A L CAIRO 14968

E.O. 11652: GDS

TAGS: EFIN EAID EG US XE

SUBJ: CHASE LOAN TO EGYPT - GODE GUARANTEE

1. JOHN RICHEY, CHASE MIDDLE EAST REP, BRIEFED US NOVEMBER 1 ON STATUS OF \$250 MILLION LOAN TO EGYPT UNDER GODE GUARANTEE. ACCORDING RICHEY, CHASE ASKED FOR INDIVIDUAL GUARANTEES FROM FOUR GODE MEMBER FINANCE MINISTERS (IN ADDITION TO OVERALL GODE GUARANGEE). RICHEY SPENT PAST TEN DAYS IN SAUDI ARABIA WORKING OUT AGREED LANGUAGE FOR PRESENTATION TO FINANCE MINISTERS, WHO ARE CURRENTLY MEETING IN KHARTOUM AND ARE EXPECTED TO APPROVE FORM OF NEWLY-REQUIRED GUARANTEE. ACCORDING TO RICHEY, MINISTERS HAVE ALREADY APPROVED GODE GUARANTEE DOCUMENT ITSELF.

2. APPARENTLY AS RESULT OF CHASE'S REQUEST FOR FURTHER GUARANTEES, GODE DECIDED ASK FOR OFFICIAL GOVERNMENT OF EGYPT GUARANTEE FOR CENTRAL BANK'S UNDERTAKING TO
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GODE. RICHEY SAYS HE HAS BEEN ADVISED THAT PRESIDENT

SADAT HAS AGREED TO GOE GUARANTEE AND HAS ISSUED
AUTHORIZING DECREE.

3. ALL PIECES OF GUARANTEE PACKAGE, THEREFORE, SEEM
IN PLACE. RICHEY SAID THAT CHASE PLACEMENT MEMORANDUM
IS FINISHED AND WILL BE ISSUED AS SOON AS HE GETS
WORD FROM SAUDI FINANCE MINISTER ABA AL-KHAIL IN KHARTOUM
THAT MINISTERS HAVE APPROVED SUPPLEMENTARY GUARANTEES.
ONLY PROBLEMS FORSEEN ARE CHANGES WHICH SOME
PARTICIPANT BANK MIGHT DESIRE IN GUARANTEE LANGUAGE;
THIS IS UNKNOWN VARIABLE AT THIS TIME, HOWEVER.

4. RICHEY ESTIMATED THAT LOAN SUBSCRIPTION PROCESS
COULD BE COMPLETED IN QUOTE FEW WEEKS UNQUOTE, OR
CERTAINLY BEFORE END OF YEAR.

5. REGARDING GODE DIRECT LOAN TO EGYPT, RICHEY SAID
THAT ON BASIS HIS TEN DAYS IN RIYADH, PREPARATIONS
APPEAR TO BE MOVING IN TANDEM WITH GUARANTEE AND HE
WOULD EXPECT THAT BOTH LOANS WOULD BE READY FOR
IMPLEMENTATION AT ROUGHLY SAME TIME.

6. COMMENT: GODE GUARANTEE AGREEMENT APPEARS AS
FIRMS AS POSSIBLE WITHOUT ACTUAL CAPITAL BEING DEPOSITED
AS COLLATERAL, AND DIRECT LOAN SEEMS TO BE IN TRAIN.
EFFECT OF PROLONGED DELAY, IN ACTUALLY MAKING MONEY
AVAILABLE TO GOE IS UNCERTAIN, BUT PROSPECTS SEEM
REASONABLY GOOD FOR GOE TO BE ABLE TO MEET MOST PRESSING
OBLIGATIONS BY END OF YEAR, THUS STAVING OFF WORST OF
CONTINUING PAYMENTS CRISIS.
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